ID. 174 GENERAL DESK BACKGROUND REPORT
MARCH 31, 1958 -- MUNICH

"YUGOSLAV MONTHLY ON EAST EUROPEAN ECONOMIC SYSTEMS"

EAST EUROPEAN COUNTRIES ARE SLOWLY BUT STEADILY CHANGING THEIR PRESENT ECONOMIC SYSTEM INTO SOMETHING SIMILAR TO WHAT THE YUGOSLAV COMMUNISTS INTRODUCED AS FAR BACK AS 1950. THIS IS THE UNSPOKEN BUT INEVITABLE MORAL OF A LONG ARTICLE PUBLISHED IN THE LAST (MARCH) ISSUE OF THE YUGOSLAV THEORETICAL MONTHLY "NASA STVARNOST".

WRITING UNDER THE TITLE "GENERAL REVIEW OF ECONOMIC DECENTRALIZATION IN EAST EUROPEAN COUNTRIES", THE AUTHOR OF THE ARTICLE, EGON STAINER, CLAIMS THAT IN ALBANIA THE LEAST HAS BEEN DONE IN THE FIELD OF "ECONOMIC DECENTRALIZATION", AND IN POLAND THE MOST. THE REMAINING EAST EUROPEAN COUNTRIES (BULGARIA, RUMANIA, GDR, HUNGARY AND CZECHOSLOVAKIA) HAVE INTRODUCED A SERIES OF "PRACTICAL MEASURES" WHICH "DIFFER CONSIDERABLY IN INDIVIDUAL COUNTRIES BOTH IN NUMBER AND CHARACTER".

IN STAINER'S OPINION "AMONG A SERIES OF FACTORS" WHICH HAVE ACCELERATED ECONOMIC DECENTRALIZATION IN EAST EUROPEAN STATES, "ARE FOR INSTANCE THE OCTOBER (1956) EVENTS IN POLAND AND HUNGARY, THE OTHER COMMUNIST COUNTRIES' ACQUAINTANCE WITH YUGOSLAV EXPERIENCE IN THE FIELD OF ORGANIZATION OF MANAGEMENT, INTERNAL DEVELOPMENT IN PEOPLE'S CHINA ETC AND ALSO THE RECENT REORGANIZATION OF MANAGEMENT IN INDUSTRY AND CONSTRUCTION IN TE SOVIT UNION".

HOWEVER, STAINER ADDS THAT THE EAST EUROPEAN COMMUNIST REGIMES "CAME MUCH EARLIER TO THE CONCLUDION THAT THE EXISTING MANAGEMENT SYSTEM WAS UNSATISFACTORY. A DECISIVE INCENTIVE WAS NECESSARY", STAINER SAYS, "TO BEGIN CRITICISM OF THE DOGMATIC TREATMENT OF ORGANIZATION OF ECONOMIC MANAGEMENT AND TO INTRODUCE CHANGES". WITHOUT MENTIONING BY NAME IMRE NAGY AND HIS ECONOMIC "NEW COURSE", STAINER SAYS THAT A "STRONG TREND EXISTED IN HUNGARY WHICH AS FAR BACK AS THE SECOND HALF OF 1954 ADVOCATED CHANGES IN THE ORGANIZATION OF THE ECONOMIC MANAGEMENT. THEY DEMANDED THE ABOLISHMENT OF DELIVERY QUOTAS, A SIGNIFICANT EXTENSION OF THE COMPETENCE OF ENTERPRISES AND LOCAL AUTHORITIES IN THE ECONOMIC FIELD ETC. HOWEVER, THIS ATTEMPT MET WITH A LACK OF UNDERSTANDING OUTSIDE HUNGARY, ALTHOUGH TWO YEARS LATER THESE VERY MEASURES WERE ACCEPTED, APPROVED AND EVEN ENCOUNAGED AT THE 20TH CONGRESS OF THE SOVIET COMMUNIST PARTY IN MOSCOW".

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FROM THAT TIME ON, SAYS STAINER, WE HAVE WITNESSED A DISCUSSION IN THE EAST EUROPEAN COUNTRIES REVEALING "TWO ESSENTIAL PROBLEMS": A) HOW TO PREVENT "EXCESSIVE CENTRALISATION", I.E.,HOW TO CREATE "SUCH AN ACTIVITY OF CENTRAL ORGANS WHICH WOULD NOT RESTRICT THE INITIATIVE OF THE LOCAL AUTHORITIES AND BASIC ECONOMIC ORGANIZATIONS"; AND B) "TO FIND SUITABLE FROMS OF WORKERS' PARTICIPATION IN THE MANAGEMENT OF (AND HERE TWO TERMS ARE USED) ECONOMY (POLAND AND HUNGARY) AND PRODUCTION (ABOVE ALL EAST GERMANY AND CZECHOSLOVAKIA). IN THIS CONNECTION THE ROAD WHICH HAS BEEN PASSED SINCE 1953 IN THE FIELD OFTHE REDUCTION OF THE EXCESSIVE CENTRALIZATION" AND IN S EEKING FOR SUITABLE FORMS OF THE INCLUSION OF THE WORKERS IN THE MANAGEMENT HAS BEEN OBVIOUS", STAINER CLAIMS.

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PERIOD OF CENTRALISM

IMMEDIATELY AFTER THE "LIBERATION" IN 1944AND 1945 THE EAST EUROPEAN COUNTRIES BEGAN THEIR "PROCESS OF CONCENTRATION AND CENTRALIZATION IN THE ECONOMIC MANAGEMENT BY INTRODUCING HUGE SOCIAL REFORMS. EVEN THOUGH EAST EUROPEAN COUNTRIES IN QUESTION WERE AT DIFFERENT ECONOMIC LEVELS (ALBANIA AND CZECHOSLOVAKIA, FOR INSTANCE), WITH DIFFERENT HISTORICAL AND STATE TRADITIONS (POLAND, EAST GERMANY AND HUNGARY), OF DIFFERENT PSYCHOLOGICAL CONSTITUTION AND CULTURAL LEVEL (HUNGARY, CZECHOSLOVAKIA, ALBANIA, EAST GERMANY), ETC., HUGE SOCIAL REFORMS (NATIONALIZATION AND AGRARIAN REFORM) WERE INTRODUCED IN ALL THESE COUNTRIES ON A SIMILAR BASIS. THERE WAS NO OPEN RESISTANCE TO THESE MEASURES IN ANY OF THESE COUNTRIES", STAINER SAID. THE REASON FOR NON-RESISTANCE TO THE COMMUNIST REGIMES WAS,ACCORDING TO THE YUGOSLAV AUTHOR, AS FOLLOWS:

"SOCIAL-POLITICAL CONDITIONS CREATED AFTER WORLD WAR TWO, AND ESPECIALLY THE FACT THAT THE SOVIET ARMED FORCES, THE VICTORS OVER FASCIST GERMANY, WERE IN THESE COUNTRIES RENDERED IT IMPOSSIBLE FOR [illegible] TO RESIST OPENLY AGAINST THIS

THUS IT HAPPENED THAT THE "COMMUNIST AND WORKERS' PARTIES IN EAST EUROPEAN COUNTRIES-- THE MOST PERSISTENT ADVOCATES OF ALL POLITICAL AND ECONOMIC DEMANDS" OF WORKERS' MASSES " DID NOT BECOME IMMEDIATELY AFTER THE WAR (EXCEPT IN CZECHOSLOVAKIA AND ALBANIA) THE STRONGEST AND MOST INFLUENTIAL PARTIES" BUT WERE COMPELLED TO IMPLEMENT THEIR AIM GRADUALLY.

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USING OFFICIAL EAST EUROPEAN DATA STAINER GIVE THE FOLLOWING BREAKDOWN OF PARTY MEMBERSHIP IN THE EAST EUROPEAN COUNTRIES:

	AT THE EVE OF WORLD WAR TWO	IN UNDER-GROUND	IMMEDIATELY AFTER WW II	1947	AFTER UNIFICATION WITH SOCIAL DEM. PARTIES IN 1948
POLAND	24,000	20,000 * (14,870 **)	20,000	800,000	1,500,000
CZECHO-SLOVAKIA	28,000	27,000 (PERISHED (3 MS 25,000)	300,000 AFTER THE WAR	1,100,000	2,410,000
GDR	-	-	-	619,256	
HUNGARY	30,000	-	3,000	150,000	804,000
RUMANIA	1,000	-	-	750,000	
BULGARIA	-	-	8,000 (9.IX.1944) 25,000 (AT THE END OF SEPT. 1944)	400,000	496,000

*) ACCORDING TO "BOLSHEVIK", NO. 7 OF 1950

**) ACCORDING TO GONULKA IN THE COMINFORM JOURNAL NO. 1/19, XI, 1947.

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IT IS INTERESTING TO NOTE THAT STAINER USES THE WEST GERMAN REVIEW "SBZ ARCHIVE", (KOELN, 1954)FOR THE DATA FOR THE SED PARTY MEMBERSHIP.

ACCORDING TO STAINER EVEN IN THE PERIOD OF EXCESSIVE CENTRALIZATION IN ECONOMY OF THE EAST EUROPEAN COUNTRIES, THE "WORKERS' COUNCILS OR WORKERS' COMMITTEES" PLAYED A GREAT ROLE IN CONTRIBUTING TO THE FACT THAT "ALREADY IN 1949 THE LIVING STANDARD IN IN THESE COUNTRIES ACHIEVED ITS PRE-WAR LEVEL".

HOWEVER, CENTRALISTIC MANAGEMENT WAS VERY STRICT AND "EVEN TODAY IT IS PARTIALLY IN FORCE". THE ADOPTION OF THE CENTRALISTIC SYSTEM IN ECONOMY SAID STAINER, WAS TAKEN FROM THE SOVIET EXPERIENCE WHICH IS QUITE UNDERSTANDABLE "BECAUSE THE SOVIET UNION HAS ALREADY BEEN THE ONLY SOCIALIST COUNTRY". HOWEVER, STAINER

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ADDED, "IT IS MORE DIFFICULT TO UNDERSTAND WHY RELATIVELY DEVELOPED COUNTRIES, WITH GREAT ORGANIZATIONAL AND PRODUCTION EXPERIENCES, AFTER HAVING SEEN FAVORABLE AND UNFAVORABLE SIDE OF THIS (SOVIET) SYSTEM, HAVE STILL INTRODUCED MEASURES TO CORRECT IT BUT WITHOUT NECESSARY COURAGE AND, IT SEEMS, VERY OFTEN IN DISPROPORTION TO THE IMPORTANCE OF THE PROBLEM".

AFTER SAYING THAT CENTRALISTIC SYSTEM FAVORED "HEAVY INDUSTRY" "HAS PROVOKED EXACTLY THE OPPOSITE TENDENCIES AND PRACTICES" IT WISHED TO PROMOTE. "THE MANAGEMENT OF CENTRALISTIC ORGANS IN ENTERPRISES HAS DISCOURAGED WORKERS' ACTIVITIES IN FACTORIES".

IN THE CONCLUSION OF THE SECTION DEALING WITH THE PERIOD OF CENTRALIZATION, STAINER SAID: "ALTHOUGH THE SYSTEM OF ORGANIZATION OF ECONOMIC MANAGEMENT AND OF ECONOMIC POLICIES WASSIMILAR, THE CONSEQUENCES WHICH APPEARED IN THE ECONOMIC (AND EVEN POLITICAL)
FIELD WERE CONSIDERABLY DIFFERENT. IT CAN BE SAID THAT THE (CENTRALISTIC) SYSTEM OF ORGANIZATION WAS AT WORST SUITABLE FOR THE MOST DEVELOPED EAST EUROPEAN COUNTRIES (CZECHOSLOVAKIA, GDR, POLAND AND HUNGARY)."

PERIOD OF DECENTRALIZATION

"THE FIRST OUTWARD SIGNS INDICATING THE ACUTE PROBLEMS IN ECONOMY", STAINER SAID, "APPEARED IN THE SECOND PARTY OF 1953. THE DISSATISFACTION DEMONSTRATED BY THE EAST GERMAN WORKERS AND IN OTHER COUNTRIES, WAS EXPLAINED BY THE LOW LIVING STANDARDS, NEGLECT OF THE PRODUCTION OF CONSUMER GOODS AND SIMILAR REASONS.... AND THUS IN THE COURSE OF 1953 AND 1954 THE ECONOMIC MEASURES INTRODUCED WERE CHIEFLY AIMED AT SOLVING THE NEGATIVE CONSEQUENCES OF ECONOMIC POLICIES....THE STRUGGLE AGAINST BUREAUCRACY BEGAN...."

STAINER QUOTED GDR PRIME MINISTER OTTO GROTEWOHL, WHO, IN MARCH 1956, CRITICIZED "THE STYLE OF ORGANIZATION". IN STAINER'S OPINION "THE VERY MEASURES AIMED AT CORRECTING HARMFUL CONSEQUENCES OF ECONOMIC POLICIES HAVE NATURALLY TOUCHED THE PROBLEM OF ECONOMIC MANAGEMENT". AFTER QUOTING WHAT HAS SO FAR HAPPENED IN

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DIFFERENT EAST EUROPEAN COUNTRIES IN THE FIELD OF ECONOMIC MANAGEMENT AND DECENTRALIZATION STAINER SAID THAT THE DIFFERENCE BETWEEN 1953 AND1956 IS THAT NOW "IT IS AN OPEN TALK ABOUT THE NECESSITY OF THESE MEASURES" WHICH IN 1953 WAS NOT THE CASE. THIS IS "A QUALITATIVE DIFFERENCE".

STAINER ENDED HIS LONG ARTICLE BY CLAIMING THAT THE ECONOMIC SYSTEM IN EAST EUROPEAN COUNTRIES THE PROBLEM OF WORKERS' INCLUSION IN THE MANAGEMENT OF ECONOMY AND PRODUCTION IS BEING GIVEN GREAT ATTENTION. THE SOLUTIONS DIFFER IN POLAND, HUNGARY AND CZECHOSLOVAKIA, BUT NOWHERE ARE THEY CONSIDERED FINAL.

"ON THE OTHER HAND, HOWEVER, ONE IS AFRAID THAT A RADICAL CHANGE IN THE MANAGEMENT OF ENTERPRISES AS TO THE INCLUSION OF WORKERS IN IT, COULD PROVOKE ANARCHY. THIS COMES INTO THE OPEN IN CER- S-E, [illegible]-L ATTITUDES TOWARD THE YUGOSLAV ORGANIZATION OF THE MANAGEMENT OF ECONOMY IN THE FIRST PARTY OF LAST YEAR. IT IS , HOWEVER, QUITE NATURAL THAT THE PROCESS OF CHANGING OF THE MANAGEMENT OF ECONOMIC ORGANIZATIONS WHICH IS NOW BEING INTRODUCED, IS LED IN THE SIGN OF A STRUGGLE BETWEEN THE OLD CONCEPTIONS.. AND NEW SOCIAL DEMANDS ARISING FROM THE VERY DEVELOPMENT OF SO- [illegible] OF THE MEANS OF PRODUCTION..."

ETD END

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